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MONTHLY PROJECTIONS
May 1985

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SLUGGISHNESS PERSISTS INTO SECOND QUARTER

A surprising decline in business inventories in March led to a downward revision in the GNP estimates for the first quarter. What made the March inventory weakness so surprising was the rapid inventory adjustment despite declining consumer activity. Indeed, both wholesalers and retailers were able to reduce their inventories even as retail sales were falling.

Of course, a temporary inventory reduction because of reduced sales anticipations ahead would have only temporary impact upon economic conditions. While some of the inventory liquidations in March may very well have reflected that condition, it appears that the wholesalers finally have decided to significantly reduce their desired inventory holdings relative to sales. Previously, the wholesalers had resisted a downward adjustment in inventories. This more fundamental shift in inventory holdings will create sluggishness for several months and should not be followed by any significant production rebound. As a result, our estimates of second quarter economic activity have been marked down sharply.

Unfortunately, sluggish economic growth in the second quarter leads to another dilemma. By April, the index of hours worked already exceeded first quarter levels by 2% at annual rates. Based upon our current projections of economic activity, this suggests that productivity has once again declined. However, it seems illogical to assume that inventorying of labor skills is intensifying at the same time that corporations are dramatically reducing their inventories of products. Our projections have not been able to resolve this dilemma. As a result, a more labor intensive production profile was assumed for the next 12 months. This leads to more significant increases in consumer spending relative to overall economic activity. To the extent that consumption is being met by foreign suppliers in a disproportionate manner to other expenditures in the domestic economy, such an income shift perpetuates high trade deficits.

Consumption should increase anyway, as a sharp increase in disposable income reflects the disbursement of tax refund checks. Normally, changes in the

timing of tax disbursements should have minimal impact upon consumer activity. However, the need to provide IRAs along with a more than 20% increase in installment debt of consumers during the past year has led to a modest liquidity squeeze. Under these circumstances, the delay in tax disbursements has created some consumer shortfall, especially in nondurables and services. This sector should pick up sharply in the early summer months now that income flows are returning to normal.

The upward revision in the GNP price deflator appears to be caused by two factors. First, strong construction spending is leading to higher increases in the implicit construction cost index than originally projected. Second, consumer prices in March were more significant than anticipated. This was largely the result of gasoline prices, which are not expected to continue rebounding beyond the second quarter. Of course, significant composition shifts were also responsible for an unusually high deflator during the first quarter. These shifts could reverse themselves during the second quarter, leading to a lower deflator and a higher estimate of real GNP than currently projected.

This downward adjustment in inventory investment has led to a more dramatic downward estimate of interest rates than originally expected. While interest rates probably will not fall below current levels, at least until the latter part of 1986, when a more significant economic downturn is anticipated, no significant run-up in interest rates is expected. Given the unusual spread between short- and long-term interest rates, there is little likelihood that long-term rates will move significantly higher during the next year. Indeed, the prime rate could momentarily fall below 10% within the next month. Only a significant rebound in economic activity would lead to significantly higher interest rates under prevailing conditions. However, government policy changes that might significantly reduce the structural deficit and may also reduce investment for tax rather than economic purposes could fundamentally lower interest rates. It will also significantly generate reduced construction activity in 1986. For those reasons, no significant run-up in interest rates should be anticipated in the next two years.

Quarterly Profile of GNP

	1985-1	1985-2	1985-3	1985-4	1986-1	1986-2
Real:	0.7	2.1	4.4	3.0	2.8	1.9
Price:	5.6	3.4	3.5	3.9	4.5	4.6
Nominal:	6.4	5.3	8.2	7.0	7.4	6.5

Monthly Statistical Highlings for May 1985

Payroll employment +234,000; index of hours worked +0.2%; household employment +280,000; civilian unemployment rate 7.2%; personal income +0.4%; savings rate 6.8%; personal consumption +0.8%; retail sales +0.8%; auto sales 11.0 million; housing starts -2.6%; housing permits +2.8%; construction expenditures +1.0%; business inventories +0.3%; orders for durable goods +1.4%; orders for nondefense capital goods +6.9%; industrial production +0.3%; CPI +0.2%; PPI +0.2%; consumption deflator +0.3%; leading indicators +0.6%; real GNP +6.7%; M1 +12.3%; M2 +11.2%.

Monthly Statistical Highlights for June 1985

Payroll employment +180,000; index of hours worked +0.2%; household employment +130,000; civilian unemployment rate 7.3%; personal income +0.5%; savings rate 5.5%; personal consumption +0.5%; retail sales +0.4%; auto sales 11.0 million; housing starts +1.8%; housing permits +1.4%; construction expenditures +2.2%; business inventories +0.5%; orders for durable goods +0.2%; orders for nondefense capital goods +0.4%; industrial production +0.3%; CPI +0.2%; PPI +0.1%; consumption deflator +0.3%; leading indicators +0.5%; real GNP 5.9%; M1 +8.8%; M2 +10.1%.

COMMENTARY

Employment - The index of hours worked remained unchanged in April, a result that is consistent with the unchanged estimate of GNP for that month. However, productivity fell significantly during the first quarter, probably as a result of sales falling below anticipations. As a result, there must have been some unanticipated inventorying of labor skills. This would suggest weakness in employment during the second quarter. However, the initial unemployment claims and insured unemployment rates both suggest that payroll employment expanded vigorously in May. This vigor probably occurred despite minimal gains in construction and retail activity. Thus, some gains are anticipated in manufacturing. Under these conditions, a modest decline in the unemployment rate is possible. However, further moderation is expected in demand for labor services in June. With the possibility that the labor force could grow more than normally in that month, any decline in the unemployment rate would be transitory.

The hourly earnings index is once again behaving very modestly, showing only a 2.9% increase over previous year levels. Continued moderation in wages is anticipated through the remainder of this year.

Personal Income & Outlays - Although personal income grew in line with anticipations in April, the composition of that income gain was unsatisfactory. Retroactive pay increases for postal workers added nearly $3 billion to government payrolls. Another temporary subsidy to farmers added nearly $3 billion to farm income. The removal of this stimulus in May should lead to more sluggish gains in personal income than previously projected.

Tax refunds have created significant difficulties in estimating disposable income and personal savings. Refunds were $1.3 billion above normal in April and are expected to be more than $4 billion over normal in May. A return to normal refunds is expected late in June. Some rebound is expected in farm income in the second half of 1985, but this will be offset by minimal gains in interest income. Thus, most of the increase in personal income will need to be generated by wages and salaries during the latter part of 1985. This is why the increased labor intensity of production activity is so important to sustaining the projections of consumption that are contained in this report.

Purchases of services remained surprisingly sluggish in April. Possible liquidity constraints could have reduced activity for recreational and transportation services. More rapid rates of gain still are projected for the services component later in the year. Most of the gain in nondurables reflects price increases that are expected to abate after June. In the durables, surprising weakness developed in hardware and furniture sales in April. This appears to be

temporary as orders for household durables have not begun to weaken. Therefore, some rebound is expected in those components once the liquidity pressures currently being felt by the household sector are partially relieved with the increasing flow of tax refunds.

Construction - Two surprises developed in the housing market during April. First, housing permits for multiple units slumped sharply in April, although permits could still sustain more than 700,000 units. Second, sales of single-family homes fell almost 12% to slightly over 600,000 units. More than a seven-month inventory of single-family homes is currently available. This should cause weakening both in single-family and multi-family activities in May. Also, declining mortgage rates will temporarily freeze the housing buying decisions of potential purchasers. This could lead to more sluggish housing activity into the summer months than currently projected.

A surprising degree of weakness developed for nonresidential construction in March. This appears to be a temporary phenomenon, as orders continue to rise sharply. Indeed, orders for nonresidential construction are rising almost 10%. Thus, a significant rebound is expected in construction during the next few months, although the housing component could be overestimated.

Business Activity - In addition to surprising weakness in business inventories during March and projected into April, orders have weakened significantly for nondefense capital goods. Apparently, the February surge in orders reflected the bunching of activity in that month and early March at the expense of January and, possibly, April. A rebound is expected in May, but it now appears that nondefense capital goods shipments are running above projected normal monthly orders. Obviously, no significant further growth should be expected in domestic production of capital goods. Most capital goods surveys suggest that spending will remain strong, although much of it is going abroad.

Prices - Although gasoline prices have rebounded sharply early in spring, as expected, a slowing in world energy consumption should lead to further weakness in petroleum products before the end of the year. While meat prices are expected to rebound late in 1985 and early in 1986, this further downward adjustment in energy components will lead to lower inflationary measures than originally projected. The one exception to this is the construction deflator, which is the primary reason why the GNP deflator is now estimated to be higher over the next year than in the original forecast.

FINANCIAL MARKETS

Two factors have accounted for surprising weakness in interest rates in recent months. First, the inventory liquidations that led to significant economic sluggishness have reduced credit market pressures, especially in the short end of the maturity spectrum. Second, the Federal Reserve apparently has switched policy and is now actively easing monetary restraints. The decline in the discount rate preceded declines in commercial paper rates, suggesting the Federal Reserve is trying to force rates downward. Currently, lower interest rates for commercial paper than the federal funds rate suggests that inventory liquidations are continuing. This is the major reason for revising our second

quarter estimates significantly downward. However, a rebound is expected early in the third quarter. There is no evidence at this time that any rebound will be vigorous. For that reason, there is little likelihood that short-term interest rates will rise dramatically in the next year. Moreover, the unusual steepness of the yield curve at this time in the business cycle probably indicates that long-term interest rates could decline further. Given changes in policy and the prospects for a possible recession in 1986, it still appears to be appropriate to invest significantly in long-term debt instruments.

Equity Markets - Sluggishness during the second quarter has continued to lower estimates of after-tax corporate profits. However, declining interest rates appear to be sufficient to offset reduced earnings possibilities of American corporations. With a rebound in economic activity, and therefore in earnings, during the third quarter, the stock market probably should have a significant rebound potential remaining. Normally, the equity markets do not begin to anticipate recessionary conditions until a year before such conditions develop. Thus, the stock market should not begin declining to reflect the reduced earnings prospects of 1986 until late in 1985.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1985	96045	96045	114.6	114.6	106391	106391	7.4	7.4	162.8	162.8
February	96157	96161	114.2	114.2	106685	106685	7.3	7.3	163.8	163.8
March	96538	96514	115.0	115.3	107119	107119	7.3	7.3	164.4	164.2
April	96753	96731	115.3	115.3	107381	107357	7.3	7.3	164.8	164.4
May	96930	96965*	115.6	115.5*	107525	107637*	7.2	7.2*	165.1	164.8*
June	97119	97145	115.8	115.7	107672	107767	7.2	7.3	165.3	165.1
July	97342	97397	116.1	116.0	107913	108081	7.1	7.2	166.0	165.5
August	97559	97649	116.4	116.3	108126	108271	7.1	7.2	166.7	165.9
September	97773	97985	116.8	116.7	108408	108667	7.0	7.0	167.3	166.4
October	97992	98235	117.0	116.9	108623	108929	7.0	7.0	167.8	167.0
November	98169	98402	117.1	117.0	108820	109027	6.9	7.1	168.4	167.7
December	98334	98569	117.3	117.1	109015	109212	6.9	7.1	169.0	168.3
January 1986	98492	98737	117.4	117.3	109237	109419	6.9	7.1	169.8	169.0
February	98641	98906	117.5	117.5	109414	109628	6.8	7.0	170.7	169.7
March	98790	99158	117.6	117.7	109591	109921	6.9	6.9	171.5	170.5
April	98916	99326	117.8	117.9	109802	110130	6.9	6.9	172.0	171.1
May	99053	99578	118.0	118.1	109930	110392	6.9	6.9	172.4	171.8
June	99193	99747	118.1	118.2	110058	110611	7.0	6.9	172.8	172.5

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1985	3.127	3.127	1.873	1.873	151.2	147.6	2.671	2.670	2.520	2.522
February	3.140	3.140	1.881	1.881	106.4	106.3	2.650	2.650	2.543	2.544
March	3.156	3.156	1.895	1.895	105.5	101.0	2.637	2.641	2.531	2.540
April	3.175	3.174	1.906	1.907	152.1	159.9	2.711	2.717	2.559	2.557
May	3.189	3.187*	1.917	1.915*	165.4	188.0*	2.743	2.766*	2.578	2.578*
June	3.203	3.203	1.928	1.924	172.9	150.5	2.765	2.743	2.592	2.593
July	3.223	3.219	1.940	1.934	139.7	140.1	2.751	2.747	2.611	2.607
August	3.246	3.236	1.951	1.944	143.5	136.8	2.769	2.761	2.626	2.624
September	3.269	3.257	1.963	1.957	148.9	136.0	2.788	2.778	2.639	2.640
October	3.287	3.276	1.974	1.967	146.1	137.9	2.803	2.793	2.651	2.655
November	3.306	3.296	1.983	1.977	144.1	134.7	2.818	2.809	2.674	2.674
December	3.325	3.314	1.992	1.986	143.2	130.8	2.834	2.822	2.691	2.691
January 1986	3.339	3.333	2.004	1.998	143.6	138.8	2.852	2.846	2.708	2.707
February	3.359	3.354	2.017	2.010	142.5	141.9	2.866	2.864	2.724	2.722
March	3.378	3.376	2.030	2.023	142.4	148.4	2.881	2.883	2.739	2.735
April	3.392	3.387	2.037	2.034	134.9	145.1	2.892	2.893	2.757	2.748
May	3.410	3.408	2.046	2.046	135.5	147.8	2.908	2.910	2.773	2.762
June	3.428	3.426	2.055	2.056	135.2	145.2	2.924	2.924	2.789	2.779

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore	C.E.	Fore.	C.E.
January 1985	2432.3	2434.4	331.7	331.7	875.2	875.2	1225.4	1227.4	1085.9	1086.7
February	2454.6	2454.4	337.9	338.0	882.3	879.4	1234.4	1237.0	1093.3	1093.5
March	2441.5	2449.4	329.6	333.7	876.3	876.4	1235.6	1239.3	1083.7	1087.3
April	2468.2	2466.3	336.2	337.7	885.7	883.4	1246.3	1245.2	1093.1	1092.2*
May	2485.8	2486.3*	340.1	340.3*	890.2	892.4*	1255.5	1253.6*	1097.5	1098.0
June	2499.2	2499.9	340.4	342.5	894.1	895.3	1264.7	1262.1	1099.5	1101.4
July	2517.3	2513.4	342.7	341.7	899.3	899.1	1275.3	1272.6	1104.1	1103.6
August	2530.3	2529.7	343.8	344.7	902.4	903.1	1284.1	1281.9	1106.9	1107.9
September	2542.7	2544.6	344.6	346.6	905.5	906.5	1292.6	1291.5	1108.9	1111.4
October	2559.4	2558.7	346.2	347.0	911.7	911.0	1301.5	1300.7	1112.3	1114.0
November	2575.2	2576.9	347.0	350.2	916.8	917.1	1311.4	1309.6	1114.8	1118.3
December	2591.0	2592.8	345.7	350.7	922.2	922.7	1323.1	1319.4	1117.3	1121.3
January 1986	2607.6	2607.7	348.4	351.2	926.8	927.3	1332.4	1329.2	1120.1	1124.1
February	2621.7	2621.7	349.5	350.5	930.9	932.4	1341.3	1338.8	1121.8	1126.2
March	2635.8	2633.2	350.6	351.5	935.0	934.0	1350.2	1347.7	1123.5	1126.9
April	2653.3	2645.5	352.7	351.6	940.2	937.1	1360.4	1356.8	1127.1	1128.5
May	2667.8	2658.8	353.1	351.0	945.2	941.9	1369.5	1365.9	1129.5	1130.0
June	2683.1	2674.4	352.0	352.3	950.1	947.3	1381.0	1374.8	1131.6	1133.0

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1985	110.97	110.97	16.00	16.00	11.2	11.2	70.35	70.35	24.62	24.62
February	112.74	112.10	16.27	16.12	10.6	10.6	71.42	71.02	25.04	24.95
March	110.54	111.27	16.27	16.20	10.6	10.6	70.23	70.69	24.04	24.38
April	112.42	112.23	16.40	16.05	11.0	11.1	71.29	71.40	24.73	24.78
May	113.26	113.08*	16.48	16.23*	10.7	11.0	71.65	71.93*	25.13	24.92*
June	113.61	113.57	16.43	16.34	10.8	11.0	71.97	72.16	25.21	25.07
July	114.32	113.78	16.51	16.45	11.0	10.9	72.39	72.47	25.42	24.86
August	114.70	114.47	16.53	16.63	11.0	10.9	72.64	72.79	25.53	25.05
September	115.05	114.96	16.70	16.67	10.9	11.0	72.89	73.06	25.46	25.23
October	115.74	115.39	16.82	16.84	10.8	10.9	73.39	73.43	25.53	25.12
November	116.25	116.26	17.09	16.98	10.7	10.8	73.80	73.92	25.36	25.36
December	116.52	116.77	16.98	17.03	10.7	10.8	74.23	74.37	25.31	25.37
January 1986	117.22	117.20	17.15	17.18	10.7	10.7	74.60	74.74	25.47	25.28
February	117.69	117.53	17.24	17.22	10.6	10.6	74.93	75.15	25.52	25.16
March	118.15	117.78	17.39	17.28	10.6	10.6	75.26	75.28	25.50	25.22
April	118.83	118.04	17.49	17.37	10.6	10.5	75.68	75.53	25.66	25.14
May	119.28	118.36	17.60	17.43	10.5	10.4	76.08	75.92	25.60	25.01
June	119.54	118.94	17.44	17.46	10.5	10.4	76.48	76.35	25.62	25.13

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1985	1.849	1.849	1.060	1.060	1.676	1.635	316.2	316.4	189.5	189.6
February	1.631	1.647	1.123	1.135	1.636	1.624	320.6	323.8	192.3	194.3
March	1.895	1.883	1.149	1.171	1.814	1.741	326.5	324.2	195.5	193.9
April	1.938	1.913	1.178	1.159	1.793	1.656	329.4	328.2*	196.7	195.5
May	1.973	1.863*	1.203	1.146*	1.818	1.703*	336.2	331.4	199.9	196.7
June	1.957	1.897	1.192	1.179	1.778	1.726	342.7	338.7	202.8	200.2
July	1.959	1.915	1.217	1.203	1.783	1.749	345.5	340.8	204.0	200.6
August	1.933	1.938	1.205	1.216	1.752	1.703	348.5	342.4	205.4	200.9
September	1.905	1.906	1.196	1.198	1.694	1.685	351.1	346.4	206.5	202.7
October	1.885	1.853	1.184	1.165	1.698	1.692	354.4	347.0	207.7	202.2
November	1.853	1.811	1.163	1.147	1.662	1.594	355.9	348.0	207.8	202.1
December	1.758	1.772	1.106	1.143	1.592	1.576	356.4	347.5	207.3	201.0
January 1986	1.723	1.719	1.082	1.126	1.564	1.515	355.0	346.6	205.9	199.9
February	1.721	1.653	1.093	1.107	1.585	1.510	353.6	346.2	204.6	199.1
March	1.691	1.650	1.083	1.098	1.526	1.483	352.2	344.9	203.5	197.7
April	1.656	1.631	1.064	1.095	1.448	1.465	351.9	342.5	202.7	195.6
May	1.608	1.602	1.045	1.068	1.392	1.427	352.1	342.7	202.2	195.2
June	1.553	1.579	1.021	1.055	1.377	1.438	352.4	343.4	201.8	195.1

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1985	130.5	130.2	57.3	57.8	128.5	128.4
February	131.7	132.6	56.4	58.1	132.5	133.1
March	133.9	130.8	57.8	58.6	134.8	134.8
April	135.2	132.4*	58.7	59.3*	135.5	136.5*
May	136.8	134.1	59.9	59.7	139.5	137.6
June	138.3	135.8	61.0	60.2	143.4	142.7
July	139.9	136.6	60.7	60.6	144.9	143.6
August	141.7	137.8	61.0	60.5	145.8	144.1
September	143.4	140.1	60.8	60.9	146.9	145.4
October	145.1	139.6	61.5	61.1	147.8	146.3
November	146.5	140.3	61.9	61.5	147.5	146.2
December	147.8	141.7	62.3	61.3	146.3	144.5
January 1986	149.0	142.6	62.0	61.7	144.0	142.3
February	150.0	142.9	61.8	62.2	141.8	141.1
March	151.1	143.3	61.9	62.5	139.2	139.1
April	152.2	143.0	62.1	62.3	137.6	137.2
May	153.1	144.1	62.4	62.6	136.6	136.0
June	153.9	144.8	62.8	62.8	135.7	135.8

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1985	316.6	316.6	292.4	292.4	323.2	323.2	228.23	228.32
February	317.7	317.7	292.1	292.1	322.5	322.5	228.96	229.01
March	319.0	319.2	292.7	292.7	322.6	322.6	229.84	230.27
April	320.2	320.4	293.7	293.6	324.0	323.9	230.53	230.93
May	321.1	321.0*	294.3	294.1*	325.4	324.5*	231.42	231.59
June	322.1	321.8	295.1	294.4	326.5	325.1	232.13	232.27
July	322.9	322.7	295.6	294.7	326.7	325.3	232.91	233.08
August	323.6	323.6	295.5	295.0	326.2	325.0	233.59	233.72
September	324.3	324.6	295.4	295.2	324.2	323.4	234.27	234.31
October	325.9	325.5	296.3	295.1	326.5	325.1	235.19	235.13
November	327.5	326.5	297.0	295.3	327.6	326.0	236.13	235.93
December	329.0	327.6	297.9	295.5	328.8	326.8	237.06	236.83
January 1986	330.3	328.7	298.9	295.8	329.6	327.9	237.89	237.65
February	331.5	329.9	299.8	296.3	330.2	329.0	238.65	238.51
March	332.8	331.1	300.8	297.3	330.9	329.5	239.40	239.46
April	334.4	332.1	301.9	297.7	332.4	330.2	240.21	240.35
May	336.0	333.4	303.0	298.8	333.9	330.9	241.07	241.24
June	337.5	334.5	304.1	299.1	335.3	332.1	241.87	242.02

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1985	224.0	224.0	178.1	178.1	220.0	220.0	244.2	244.2	166.9	166.9
February	224.5	224.5	179.4	179.6	219.9	219.7	245.1	244.9	166.7	166.6
March	225.1	225.3	179.8	179.5	220.1	220.6	245.4	245.8	167.0	167.2
April	225.8	225.8*	180.2	179.6*	220.8	221.3*	246.5	246.6*	167.5	167.9*
May	226.5	226.4	180.2	179.7	221.4	221.9	247.7	247.5	168.2	168.5
June	227.3	227.0	180.3	179.7	222.0	222.2	248.8	248.5	169.0	169.2
July	228.0	227.7	180.4	180.0	222.5	222.6	249.9	249.6	169.4	169.9
August	228.6	228.3	180.7	180.1	222.8	222.9	250.9	250.7	169.7	170.4
September	229.3	229.0	181.0	180.0	223.2	223.3	252.0	251.8	170.0	170.9
October	230.1	229.7	181.4	180.3	224.2	223.7	253.1	252.9	170.6	171.6
November	231.0	230.4	181.4	180.7	225.0	224.4	254.2	253.9	171.3	172.2
December	231.9	231.2	181.2	180.8	225.9	225.1	255.2	255.0	171.9	172.9
January 1986	232.8	232.0	181.6	181.0	226.5	225.6	256.4	256.1	172.4	173.4
February	233.7	232.8	182.2	181.2	227.3	226.3	257.6	257.1	172.8	173.9
March	234.6	233.7	182.7	181.3	228.0	227.1	258.9	258.3	173.1	174.5
April	235.4	234.4	183.0	181.5	228.6	227.6	260.0	259.4	173.6	175.1
May	236.2	235.3	183.2	181.8	229.3	228.3	261.1	260.5	174.1	175.6
June	237.1	236.1	183.4	182.0	230.0	229.0	262.2	261.5	174.6	176.0

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1985	284.7	285.8	104.99	105.45	23.14	23.63	25.64	25.25
February	285.7	286.1	103.69	102.47	29.50	29.49	26.31	36.33
March	286.3	286.2	104.63	99.73	27.42	27.21	26.82	27.77
April	286.9	286.5	105.92	99.54	27.59	25.27	27.03	27.22
May	288.1	287.1*	106.38	100.93	27.68	27.01	27.26	26.93
June	290.0	288.4	106.51	101.14	27.42	27.11	27.38	27.02
July	292.3	290.0	106.89	102.13	28.13	27.38	27.56	27.25
August	293.2	291.3	106.27	102.56	28.24	27.56	27.78	27.43
September	293.6	292.8	105.42	103.36	28.02	27.71	28.01	27.61
October	294.9	293.9	104.28	103.18	27.43	27.63	28.23	27.68
November	296.5	295.0	106.07	102.46	27.92	27.38	28.36	27.55
December	297.5	295.9	107.46	102.93	28.26	27.09	28.45	27.51
January 1986	298.8	297.3	108.71	102.88	28.69	26.85	28.56	27.35
February	300.1	299.0	109.13	105.14	28.82	27.83	28.62	27.62
March	301.5	300.8	109.08	105.58	28.75	27.81	28.41	27.76
April	303.2	302.0	109.26	105.32	28.71	27.42	28.62	27.68
May	304.9	303.3	108.16	105.96	28.14	27.40	28.56	27.62
June	306.6	304.2	108.91	106.41	28.11	27.38	28.71	27.59

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1985	574.6	574.6	6.52	6.38	165.2	165.1	81.2	81.1
February	576.9	578.7	6.81	6.70	164.9	165.3	80.8	81.0
March	578.1	578.2	6.89	6.72	165.4	165.8	80.8	81.1
April	583.6	577.6	6.95	6.43	166.1	165.4	80.9	80.6
May	586.2	579.5	7.06	6.61	166.7	165.9*	81.0	80.6*
June	588.4	582.4	7.18	6.75	167.3	166.4	81.1	80.7
July	591.4	586.5	7.29	6.88	167.7	167.0	81.0	80.8
August	594.7	589.2	7.46	7.03	168.0	167.5	80.9	80.8
September	597.7	592.3	7.54	7.21	168.3	168.2	80.8	80.9
October	601.1	594.6	7.51	7.15	168.5	168.6	80.6	80.8
November	604.3	597.1	7.67	7.23	168.7	168.5	80.4	80.5
December	606.4	598.9	7.89	7.38	168.7	168.5	80.2	80.3
January 1986	610.2	602.2	7.95	7.55	168.7	168.8	80.0	80.3
February	612.3	606.4	8.03	7.58	168.9	168.8	79.9	80.1
March	614.7	611.1	8.10	7.69	169.4	169.2	79.9	80.2
April	617.9	614.5	8.23	7.85	170.3	169.5	80.1	80.2
May	621.3	617.8	8.34	7.83	171.5	169.8	80.4	80.2
June	626.1	620.6	8.46	7.84	172.6	169.9	80.7	80.0

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1985	-10.29	-10.29	166.4	166.4	3814	3810	1671	1669	2.3	1.6
February	-11.45	-11.45	167.5	167.5	3814	3816	1666	1666	0.8	0.0
March	-11.50	-11.05	168.2	167.7	3832	3825	1667	1661	-0.3	-2.3
April	-11.15	-11.85	168.5	167.4	3869	3836	1678	1661	1.7	-2.5
May	-10.81	-11.67*	169.0	168.4*	3903	3868	1687	1670	6.8	0.2
June	-10.52	-11.26	168.8	169.3	3932	3897	1694	1678	4.5	1.5
July	-10.68	-11.38	169.0	169.5	3956	3922	1699	1683	2.6	3.6
August	-11.08	-11.59	168.4	169.2	3977	3944	1703	1687	2.3	2.1
September	-11.53	-11.86	168.0	168.5	3999	3967	1707	1693	2.0	2.6
October	-11.69	-11.59	167.7	167.8	4022	3987	1710	1696	5.3	4.3
November	-11.24	-11.37	168.2	168.1	4045	4013	1713	1701	8.8	5.6
December	-11.13	-11.24	168.6	167.7	4064	4035	1714	1704	8.9	6.1
January 1986	-11.25	-10.98	169.1	168.3	4083	4059	1716	1708	10.6	7.2
February	-11.50	-11.42	169.5	168.6	4102	4084	1719	1712	12.9	7.9
March	-11.11	-10.88	169.5	168.1	4122	4109	1722	1716	13.5	9.3
April	-11.26	-10.95	169.2	167.2	4159	4130	1731	1718	14.2	9.0
May	-11.05	-10.86	168.8	166.8	4185	4148	1736	1719	14.9	8.5
June	-10.98	-10.81	168.5	166.9	4211	4169	1741	1723	13.8	9.8

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1985	218.4	281.2	563.0	562.7	2400.4	2398.9	8.35	8.35	8.00	8.00
February	219.3	219.2	569.2	569.4	2420.6	2420.9	8.50	8.50	8.39	8.39
March	222.0	221.9	571.9	572.1	2427.6	2428.6	8.58	8.58	8.90	8.90
April	223.1	223.3	574.6	575.0	2435.7	2427.0	8.33	8.27*	8.46	8.23
May	224.0	223.7*	577.9	580.6*	2457.3	2445.8*	8.45	7.93*	8.27	7.63*
June	224.9	225.3	581.3	584.7	2479.5	2465.4	8.43	7.66	8.25	7.51
July	226.2	226.1	584.7	585.6	2492.6	2477.7	8.72	7.92	8.72	7.88
August	227.4	227.2	587.4	588.4	2509.2	2495.9	9.25	7.98	9.04	7.92
September	228.7	228.3	589.9	591.3	2526.6	2515.7	9.83	8.13	9.23	8.01
October	230.0	229.2	592.3	593.9	2543.1	2532.9	9.65	8.08	9.29	7.88
November	231.1	230.2	595.5	596.2	2559.7	2549.1	9.68	8.29	9.25	8.03
December	232.2	231.1	598.8	598.5	2575.8	2565.5	9.52	8.16	9.22	7.94
January 1986	233.4	232.2	601.2	600.2	2592.7	2579.4	9.29	8.29	8.95	8.03
February	234.5	234.0	605.7	605.6	2610.6	2605.2	9.10	8.11	8.72	8.02
March	235.6	234.9	609.9	608.4	2628.8	2622.4	9.06	8.43	8.61	8.27
April	237.0	236.0	613.8	611.2	2647.9	2641.6	9.21	8.27	8.85	8.03
May	238.8	237.1	615.7	613.6	2664.4	2658.6	9.35	8.01	8.89	7.82
June	240.3	238.4	617.5	616.3	2681.1	2675.5	9.43	7.66	8.95	7.43

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1985	12.08	12.08	9.51	9.51	8.03	8.03	8.14	8.14	10.62	10.62
February	12.13	12.13	9.53	9.65	8.54	8.54	8.69	8.69	10.50	10.50
March	11.96	12.56	9.69	9.69	8.90	8.90	9.07	9.07	10.50	10.50
April	11.92	12.23	9.53	9.31*	8.42	8.37	8.63	8.49	10.50	10.50
May	12.15	11.63*	9.72	8.93	8.36	7.78*	8.49	7.91*	10.50	10.16*
June	12.37	11.40	9.92	8.82	8.38	7.52	8.56	7.65	10.50	10.00
July	12.48	11.38	10.05	8.80	8.81	8.03	8.96	8.21	10.86	10.00
August	12.60	11.24	10.14	8.68	9.32	8.15	9.47	8.36	11.27	10.00
September	12.68	11.31	10.25	8.75	9.85	8.22	9.98	8.40	11.50	10.00
October	12.72	11.15	10.21	8.59	9.62	7.96	9.79	8.13	11.50	10.00
November	12.70	11.36	10.16	8.79	9.60	8.36	9.75	8.51	11.50	10.00
December	12.68	11.24	10.09	8.69	9.47	8.09	9.59	8.30	11.50	10.00
January 1986	12.49	11.34	9.84	8.78	9.15	8.42	9.32	8.61	11.50	10.00
February	12.42	11.21	9.70	8.63	9.10	7.96	9.26	8.12	11.23	10.00
March	12.36	11.48	9.59	8.86	9.03	8.51	9.20	8.63	11.00	10.26
April	12.47	11.45	9.76	8.77	9.18	8.22	9.35	8.43	11.00	10.50
May	12.51	11.22	9.82	8.61	9.36	7.94	9.54	8.23	11.00	10.50
June	12.55	11.03	9.89	8.37	9.45	7.55	9.68	7.80	10.00	10.22

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